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UNDP institutional budget estimates for 2012-2013

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report on the institutional budget estimates for the biennium 2012-2013 for the United Nations Development Programme (DP/2011/34). During its consideration of the report, the Committee met with the Administrator of UNDP and other representatives, who provided additional information and clarification.

2. The Administrator indicates that the UNDP biennial institutional budget resources are allocated based on the functions reflecting the strategic and operational results to be achieved. The strategic and financial context of the proposals is presented in chapters I and II, respectively, and the proposals for 2012-2013 institutional budget are presented in chapter IV, sections A and B, of the document.

I. Strategic context

3. The Administrator indicates that the midterm review of the strategic plan established four over-arching priorities for the next 3 to 5 years (2011-2016), which are cross-cutting and will be subject to annual review and reassessment as preparations commence for the next strategic plan (2014-2017). These priorities are outlined in the institutional budget document (ibid., para. 2)

4. It is indicated in the report that the UNDP "agenda for organizational change", which the Administrator launched in April 2011, is expected to re-energize the organization to successfully implement the recommendations of the midterm review of the strategic plan (ibid., para. 4), and is based on improved functionality and results in three cross-cutting areas: internal governance; organizational effectiveness; and leadership, culture and behaviour (ibid., para. 5). The report states that, during 2012-2013, the highest priority for UNDP, together with the formulation of the 2014-2017 strategic plan as informed by the guidance provided by the Executive Board in decision 2011/14, will be to accelerate implementation of the Agenda for Organizational Change. The Advisory Committee notes that the 2012-2013 institutional budget estimates and related proposals of the Administrator will directly support strategic plan

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formulation and the change agenda in three major ways: (i) by delivering strategic institutional results that serve as prerequisites for, and thus underlay and mutually reinforce, the achievement of strategic development results; (ii) by further investing strategically in the organization; and (iii) by identifying increased opportunities for improved operational effectiveness and efficiency (ibid., para. 6).

5. The Administrator indicates in the report that the 2012-2013 UNDP institutional budget forms an integral part of the strategic plan (ibid., para. 8). The revised strategic institutional results framework approved therein reflects the harmonized cost classifications approved in Executive Board decision 2010/32, and present the planned results and indicators for management, United Nations development coordination, development effectiveness and special purpose activities in line with Executive Board decision 2011/10. The Administrator informs that, ultimately, the integrated budget will incorporate into one planning and budgetary framework the planning and resources for the institutional results currently reflected in the institutional budget, and the planning and resources for the development results currently reflected in the programming arrangements (ibid., para. 9).

II. Financial context

6. The resource plan for 2012-2013 biennium is presented in table 1 of the report. Actual figures for 2010 and revised estimates for 2011 have been combined and reflected therein for comparative purposes. Table 1 reflects estimated regular resources of $2,150 million for 2012-2013, as approved in the midterm review of the strategic plan, which represents a $153 million nominal increase over the most current 2010-2011 income projections of $1,967 million. The Advisory Committee notes that the 2012-2013 estimate of $2,150 million represents a decrease of $200 million compared to the initially planned 2010-2011 regular resources of $2,350 million contained in summary table 1.

7. The report indicates that the UNDP resource plan for 2012-2013, covering both regular and other resources, outlines the integrated resource planning framework of the organization, classifying activities under the categories approved in Executive Board decisions 2009/22 and 2010/32 (ibid., para. 20). The resource plan has three segments covering donor and local resources that reflect:

(a) $12,888.7 million in estimated total resources available, comprising an opening balance of $3,162.3 million, contributions of $9,600 million and other income of $125.3 million;

(b) $11,729.2 million in projected use of resources, comprising development activities of $10,334.1 million, United Nations development coordination activities of $263.4 million, management activities of $1,016.0 million, and special purpose activities of $115.7 million; and,

(c) a projected balance of resources of approximately $1,158.4 million.

8. The resource plan for 2012-2013 is supported by the accompanying tables, figures and text in the report with respect to management activities, development effectiveness activities, United Nations development coordination activities and special purpose activities. Table 2 contains budget estimates for institutional activities to be funded from regular and other resources. The Advisory Committee notes that the amounts in Table 2 comprise only the resource plan amounts presented as part of Table 1 that are dedicated to institutional activities (ibid., para. 21).

9. The report includes an overview of contributions, by funding category, over six bienniums (ibid., figure 1), including estimates for 2010-2011 and 2012-13. In nominal terms, regular donor resources are projected at $2,150.0 million for

2012-2013, while other donor resources, for trust funds and cost sharing, are projected to decrease nominally by $360 million (5.7 per cent), from current estimates of $6,310 million in the 2010-2011 biennium, to $5,950 million in the 2012-2013 biennium. The Advisory Committee notes that aggregate donor and local contributions for the 2012-2013 biennium are estimated at $9,600 million, $208 million (2.2 per cent) less than 2010-2011 estimates. **The Committee recommends that the Executive Board should encourage UNDP to intensify its fund-raising efforts.**

10. The Administrator indicates in the report that local resources provided by governments are also expected to decrease nominally by about $31 million (2.1 per cent) to $1,500 million in 2012-2013, and that the level of local resources provided by host governments has declined in the last four bienniums (ibid., figure 1). The Advisory Committee was informed, upon enquiry, that the level of income in the form of local resources has declined in the context of the integrated resources framework endorsed in Executive Board decisions 2007/32 and 2011/14.

11. The Advisory Committee notes from the report that UNDP will utilize 88 per cent of its resources in the 2012-2013 on development activities (ibid., para. 19), and that management activities will account for 8.7 per cent of expenditure in the 2012-2013 biennium.

III. Strategic institutional results framework

12. The UNDP Administrator indicates that the strategic plan constitutes the single, overarching results framework of UNDP, and that the institutional budget is informed by and fully aligned with the strategic institutional results framework and high-level resource projections for 2012-2013 contained therein (ibid., para. 23). The report indicates that the institutional results framework underpins and directly supports the achievement of the development results contained in the strategic plan. It covers planned strategic institutional activities in the areas of management, United Nations development coordination, special purpose and development effectiveness, all of which form the operational foundation that UNDP leverages to respond to demands from programme countries for development and coordination services (ibid., para. 26). The UNDP institutional results framework consists of a cycle enumerated in the report (ibid., para.28). It is indicated that each strategic institutional result has a lead unit or a lead group of units designated as the corporate sponsor (ibid., para.30). The strategic plan outputs under the areas of management, United Nations development coordination, special purpose and development effectiveness are described in paragraphs 43 to 83 of the report. The Committee notes that such activities as staff security and IPSAS implementation have been included under the strategic plan outputs as management activities.

13. The Advisory Committee recalls its previous recommendation that UNDP should continue its collaboration with UNFPA and UNICEF, and to further develop and harmonize the elements of the results-based framework, based on common terminology and standards, and that information on further progress in this area should be provided in future biennial support budget submissions (DP/2010/4, para. 4). The Committee notes that the 2012-2013 UNDP institutional budget has been prepared following the harmonized approach with UNFPA and UNICEF, and has benefited from the continuous guidance of the Executive Board (DP/2011/34, para. 24). The 2012-2013 institutional budget incorporates the harmonized cost classifications approved in Executive Board decisions 2009/22 and 2010/32 (ibid., para. 25) and incorporates the harmonized results-based budgeting approach approved in Executive Board decision 2011/10. The Administrator indicates in the report that the harmonization between UNDP, UNFPA and UNICEF is accomplished through enhanced

approaches in the areas of cost classification, results-based budgeting, cost recovery and the compilation and presentation of budgetary information (ibid., para. 9).

14. It is indicated in the report that UNDP, UNFPA and UNICEF are on track to present individual, integrated budgets from 2014 onwards, in accordance with Executive Board decision 2011/10. Upon enquiry, the Advisory Committee was informed that each entity's integrated budget would reflect harmonized classifications of activities and associated costs as well as improved linkages between results in strategic plans and resources required to achieve such results. The Committee notes that at their first regular sessions in January 2010, the UNDP and UNICEF Executive Boards considered and welcomed the joint information note on the road map to an integrated budget format. In its decision 2010/32, the UNDP Executive Board endorsed harmonized cost definitions and the harmonized classification of activities and associated costs for application effective in the 2012-2013 biennium, and, in its decision 2011/10, the Board also endorsed the proposed harmonized results-based budgeting approach and key budget tables for application effective in the 2012-2013 biennium. Similarly, the UNICEF Executive Board, in its decisions 2010/20 and 2011/6, endorsed the harmonized cost definitions and the classification of activities and associated costs as well as the proposed results-based budgeting approach and key tables for application effective in the 2012-2013 biennium. It is also indicated that the three organizations have agreed to provide to the respective Executive Boards at their second regular session in 2012 information on (a) results of the joint review of the impact on harmonized cost recovery rates within the context of the integrated budget and the new strategic plans from 2014 onwards; (b) a mock integrated budget; and (c) a reporting of the steps taken and progress achieved towards the integrated budget.

15. The Committee welcomes the progress made by UNDP in the implementation of results-based budgeting, including the consolidation of functions under strategic plan outputs corresponding to the new cost classification categories, and urges UNDP to continue its efforts in this regard in collaboration with UNFPA and UNICEF. The Advisory Committee trusts that subsequent UNDP integrated budgets will reflect the envisaged changes, including the harmonized classifications of activities and associated costs, as well as improved linkages between results in strategic plans and resources required to achieve the results, along with expenditure data for the previous biennium for comparison purposes.

16. Under the strategic plan output for Security for staff and premises and a safer environment for enhanced programme delivery, the Administrator indicates that this output requires comprehensive and cost-effective global security provisions, including establishing, maintaining and implementing policies and systems for security management and accountability (ibid., para. 49). The Advisory Committee notes that the baseline percentage of Minimum Operational Security Standards (MOSS) compliant country offices is 63 per cent in 2010-2011, and goals for MOSS-compliance are set at 75 per cent in 2012 and 80 per cent in 2013. **Taking into account the security risk assessment, the Committee recognizes the need to prioritize measures related to compliance with Minimum Operational Security Standards (MOSS), and takes note of the projected increase in the number of UNDP offices that will be MOSS-compliant as reflected in the institutional budget for the coming biennium.**

IV. Proposals for the 2012-2013 institutional budget

17. The proposed budget estimates for UNDP's institutional activities by strategic plan output is summarized in table 2 of the report. The proposed institutional budget for 2012-2013 in gross terms amounts to $931.9 million, against which income offsets of $75.4 million are projected, resulting in an

institutional budget for 2012-2013, in net terms, of $856.5 million. The total regular resources amount of $856.5 million in the 2012-2013 biennium compares to the amount of $905.8 million for the institutional budget in the 2010-2011 biennium.

18. The Administrator indicates that the reduction of $49.3 million in the institutional budget comprises $120.1 million in volume decreases resulting from the organizational reduction strategy, including improved effectiveness; completion of investments in previous periods; the shifting of costs to extrabudgetary sources to improve burden sharing; and, enhanced transparency in the attribution of centrally managed costs (ibid., para. 15). These decreases are offset in part by increases of $31.1 million under non-discretionary expenditure and $40.0 million in proposed investments.The non-discretionary increases of $31.1 million are mainly due to:

(a) the effect of inflation on post adjustment and other entitlements of international and Headquarters local staff, entitlements of national officers and country-office local staff, and operating costs ($17.4 million);

(b) salary entitlements due to within-grade salary increments of international and Headquarters local staff, and United Nations-mandated salary revision surveys for national officers and country-office local staff ($12.0 million); and

(c) currency adjustments due to the aggregate impact of exchange-rate fluctuations in comparison to the dollar ($1.5 million) (ibid., para.86).

19. The Administrator indicates in her report that in response to concerns expressed by Executive Board members, and in the context of the ongoing global economic crisis, she continues to assign a high priority to the need for exercising budgetary discipline through the further containment and better alignment of institutional costs (ibid., para. 86). The reduction of $120.1 million in real volume decreases, of which $96 million pertain to non-staff expenses, represents a 12.3 per cent decrease in volume from the approved gross budget appropriation for 2010-2011, and was achieved by:

(a) improving overall operational effectiveness by eliminating redundant and non-essential services and activities, and by identifying lower priority functions that could be reduced, including the freezing of posts ($30.6 million);

(b) improving the alignment of costs at the corporate level with respect to the attribution of centrally managed costs ($55.2 million);

(c) improving the alignment of costs at the unit level with respect to improved burden-sharing between regular and extrabudgetary resources ($13.0 million); and,

(d) the elimination of completed capital and other investments ($21.3 million).

20. The Advisory Committee notes that the reductions under staff costs amounting to $24.1 million pertain to 33 international professional and 55 local posts. It is proposed to freeze 20 international professional and 23 local posts, and abolish 4 international professional and 14 local posts ($18.2 million), and to shift to extrabudgetary resources 9 international professional and 18 local posts ($5.9 million) (ibid., para. 90; see also paras. 22-28, 34 and 35 below).

21. The Administrator further states that a more effective delivery of policy and corporate services will be a top priority for UNDP during 2012-2013, with increased focus being placed on faster, cheaper and better business processes leading to, inter alia, significant reductions in costs (ibid., para. 91). A series of concrete measures will be introduced to address the lengthy and often inflexible

programme and project processes that, according to the Administrator, have often impeded operational effectiveness at the country-office level. A mix of flexible programming tools that are better suited to nationally-owned development agendas will be developed as an important first step in streamlining office operations and reducing burdensome bureaucratic procedures that add little value. The report indicates that a corporate initiative was launched to enhance the apportionment of centrally-managed costs to their corresponding sources of funding based on staff numbers and total costs, which resulted in the identification of $55.2 million in improved cost attributions with respect to services provided by the United Nations Secretariat and the costs of participating in United Nations system jointly financed activities (ibid., para. 94).

Proposed investments

22. The Administrator indicates that a total of $40 million in volume increases are proposed in five strategic areas to include both recurring and non-recurring investments of $30.1 million and $9.9 million, respectively. These investments require a total of 77 new positions, comprising 32 international professional and 45 local positions. According to the report, all proposed investments are specifically identified and included in their corresponding planned strategic output in accordance with the strategic institutional results framework (ibid., para. 96).

23. The Administrator proposes $6.8 million from regular resources under the Implementation of the change agenda, of which (i) $5 million will directly support stronger strategic planning and management capability through the establishment of 10 international professional positions; (ii) $0.8 million will directly support policy leadership through the establishment of a chief economist at the D-2 level and one support staff member (see also para. 34 and 35 below); and (iii) $1 million will provide critical support to improving all aspects of results-based management across the organization in preparation for the next strategic plan and results frameworks (ibid., para. 101).

24. An investment of $4 million from regular resources is proposed to strengthen strategic human resources management, including the enhancement of talent management and workforce planning tools and systems. This strengthening will require six international professional positions and eight local positions to meet the additional workload attributed to contractual reform; improve business processes, develop a people-capability strategy and determine the specialized skills that will be needed by the different types of offices (ibid., para. 104).

25. The Administrator indicates that, as a result of contractual reform implementation in accordance with General Assembly resolution 63/250 on human resources management, a total of 1,200 additional international professional staff are now administered by UNDP. The number of corresponding permanent and fixed-term appointments has increased, as has the number of separations and new appointments, all of which has increased workload in UNDP.

26. A total of $4.2 million from regular resources is proposed, as an investment, to support countries in the midst of fragile transitions, through the establishment of the following positions: (i) one D-2 senior country director and six local posts in South Sudan; (ii) one D-2 senior country director in Yemen; and (iii) one D-1 transition team leader in the Arab States region to coordinate support, in view of the multiple and simultaneous crises taking place across the region. (See also paras. 34 and 35 below.) Support will also be provided for a phased relocation of the Iraq country office from Amman to Baghdad (ibid., para. 108).

27. An investment of $4 million from regular resources proposed under framing the global development agenda, of which: (i) $2 million will support the expansion of the preparation of high-quality MDG Acceleration Framework

action plans in 12 programme countries; (ii) $1 million will support the preparation for Rio+20 of an issues paper clarifying how the green economy can contribute to the implementation of the sustainable development agenda; and (iii) $1 million will support the upgrading of existing data, reporting and systems capabilities in order to successfully introduce the transparency standards adopted by the International Aid Transparency Initiative (IATI) (ibid., para. 112).

28. Lastly, an investment of $21 million from regular resources is proposed to support enhanced value-added corporate services and accountability. Of this total, $10 million will directly support IPSAS implementation through a non-recurring investment of $3.8 million, and recurring investments of $6.2 million to fund the global shared services centre, including the establishment of 10 international professional and 30 local positions. Another $10.0 million will support information and communications technology-related activities, of which $6.1 million represents non-recurring investments and $3.9 million represents recurring investments. In addition, $1.0 million in recurring investments in the Investigations Unit are proposed through the establishment of two international professional positions (ibid., para. 118).

29. **While recognizing the value of the initiatives proposed by UNDP under the category of investments, the Advisory Committee expects a measurable return on such investments over a specific period of time in the form of improved mandate implementation, efficiency and effectiveness. With regard to the implementation of resolution 63/250, the Committee points out that the surge in workload attributable to that resolution should be temporary in nature. It therefore expects that the additional resources will be kept under review to determine the continued need. Information in this regard should be provided in the context of the next UNDP institutional budget.**

IPSAS implementation

30. The Advisory Committee recalls that the target date for implementation of International Public Sector Accounting Standards (IPSAS) by UNDP had been deferred from January 2010 to January 2012 (DP/2010/4, para. 27). The Committee was informed, upon enquiry, that, as UNDP was a highly decentralized organization, accounting functions are generally performed individually in each country office. Following implementation of its enterprise resource planning (ERP) system (PeopleSoft/Atlas), UNDP concluded that a higher level of skills was required to perform complex financial functions in the context of IPSAS, which brings with it a greater level of complexity, particularly in: revenue management; property, plant and equipment; and employee benefits.

31. The Advisory Committee was also informed that, in January 2009, UNDP undertook a detailed fact-based workload impact analysis, which determined that the centralization of the most complex functions in a single global center was the most strategic solution, providing significant economies of scale, reduced costs, and hence minimizing the financial impact and risk to the Organization. Subsequently, a consultancy study was conducted by an independent firm, which provided recommendations on a short list of suitable options for the location of the Global Shared Service Centre and on whether additional regional service centers would be needed. The consulting recommended that a single consolidated Global Shared Service Centre would achieve the optimal balance of lower costs and the benefit of a center of excellence. The Advisory Committee was further informed that the consultancy study had recommended various possible locations. It was indicated that UNDP was considering the recommendations and would take a decision on a suitable location for the proposed Global Shared Service Centre based upon the outcome of consultations with potential host governments.

32. Furthermore, the Advisory Committee was informed, upon enquiry, that the Comptrollers Group, established by the Development Operations Coordination Office (DOCO), and comprising UNDP, UNFPA, UNICEF and WFP, as well as the United Nations Controller, were coordinating efforts on the harmonization of the financial regulations and rules to incorporate the introduction of IPSAS, as well as the new cost classifications for the three funds and programmes. The observations and recommendations of the Advisory Committee are contained in its separate report on the proposed amendments to the Financial Regulations and Rules of UNDP. The Advisory Committee was further informed that the Chief Executives Board system-wide IPSAS support team would provide the requisite coordination for the formulation of future IPSAS policies, as well as other relevant tasks, such as facilitation and communication. The Committee was also informed that the Global Shared Service Centre will perform new and complex IPSAS-related functions and provide advisory services and support to UNDP country offices in the implementation of IPSAS. **The Advisory Committee reiterates its view on the value of close harmonization with the Secretariat and other United Nations organizations on IPSAS-related matters. In this regard, the Committee encourages UNDP to continue to share the results of its experience with the implemeatation of IPSAS.**

Estimated income

33. The Administrator indicates that total estimated income of the institutional budget for 2012-2013 amounts to $75.4 million, representing an increase of $0.3 million over 2010-2011. Such income is expected to come from three sources: government contributions towards local office costs (GLOC); the United Nations Volunteers (UNV) programme for providing volunteers to United Nations organizations; and an accounting linkage to voluntary contributions to offset the cost of reimbursing income taxes paid by some staff on their salaries. The report indicates that in the year 2010 only 75 per cent of the obligations under government contributions towards local office costs has been in fact received by UNDP (ibid., table 4). **The Advisory Committee notes with concern the shortfalls in reimbursements from governments for local office costs, and encourages UNDP to continue efforts to receive the resources needed to sustain its operations in the field.**

Proposed staffing changes

34. The Advisory Committee notes that UNDP is proposing that the total staff funded from regular resources decrease by a net amount of 11 posts, from 3,217 during 2010-2011 to 3,206 during 2012-2013. The proposals include:

(a) for management activities: a net reduction of three D-2 level positions and a net increase of one D-1 level position, as well as a net increase of 16 international professional positions and a net reduction of four local positions;

(b) for development effectiveness activities: an increase of one D-2 level position and 1 D-1 level position, as well as the net reduction of 18 international professional and three local positions;

(c) for United Nations development coordination activities: a reduction of 1 local position; and

(d) for special purpose activities: a reduction of 1 local position (ibid., para. 124).

35. The Advisory Committee notes that, among senior staffing proposals, the number of posts at the D-1 level and above would remain the same; however, the total number of D-2 posts would decrease by two, while the total number of D-1 posts would increase by two. It is also proposed to freeze three D-2 posts and reclassify downward one D-2 post to the D-1 level. The report indicates that the proposed post changes during 2012-2013 are influenced by two major

factors: the proposed volume reductions tabled in the budget, and proposed investments referred to above. The Administrator further informed the Advisory Committee that the zero growth in senior positions in UNDP is intended to contain costs and are in consideration of previous guidance from the Executive Board and the Committee. The report includes the establishment of three new D-2 posts, for senior corporate economist and senior country director positions in South Sudan and in Yemen, in addition to the reclassification of the D-1 post of resident coordinator in Yemen to D-2 level. A new D-1 also post is proposed to be established for transition team leader in the Arab States region, which is offset by the abolition of a D-1 post in the Executive Office (ibid., para. 130; see also para. 26 above). **The Advisory Committee acknowledges efforts by UNDP to contain costs, including through assessment of staffing requirements. It nonetheless encourages UNDP to broaden these efforts. In this connection, the Advisory Committee reiterates its view that prudence be exercised in recruiting against the approved posts, taking into account the availability of funding. The Committee has no objection to the proposed staffing changes.**

Other resources

36. As noted above, the Administrator indicates that the 2012-2013 net institutional budget estimates funded from regular resources would amount to $856.5 million, as compared to $905.8 million in 2010-2011, and that the estimates to be funded from other resources amount to $646.3 million, as compared to $587.4 million in 2010-2011 (ibid., para. 132). The Advisory Committee notes that during 2010-2011, projected expenditures to be funded from other resources as a function of total planned expenditures (regular and other) increased to 39 per cent of the total, and that in 2012-2013, it is expected to further increase to 43 per cent of the institutional budget. This continues to show a positive trend. **While the Advisory Committee recognizes the increasing proportion of the institutional budget funded from other sources over recent bienniums, it reiterates its position that the formula for apportioning the institutional budget between the regular and other resources should continue to be further examined.**

Cost recovery

37. Current estimates for cost-recovery income in 2012-2013 amount to $592 million, compared to $568 million for 2010-2011 (ibid., table 6), which represents an estimated increase of $24 million, or 4 per cent. The Administrator indicates that the 2012-2013 cost-recovery estimates of $592 million comprise the following:

(a) General management services (GMS) income estimate from donor co-financing of $418 million ($384 million in 2010-2011) represents 6.25 per cent (6 per cent in 2010-2011) of $6.7 billion ($6.4 billion in 2010-2011);

(b) General management services income estimate from programme country cost-sharing of $49 million, compared to $60 million in 2010-2011, which represents 3.5 per cent (3.7 per cent in 2010-2011) of $1,392 million in estimated programme expenditures funded from local resources;

(c) United Nations organization services cost-recovery income estimate at the Headquarters level of $50 million, compared to $51 million in 2010-2011;

(d) United Nations organization services cost-recovery income estimate at the country-office level of $22 million, compared to $21 million in 2010-2011;

(e) Other cost-recovery income estimates of $53 million, compared to $52 million in 2010-2011 (ibid., para. 133).

38. The Advisory Committee notes that the current estimates for related other resources in 2012-2013, including interest and attribution of locally- and centrally-managed costs, amount to $136 million, compared to $80 million for 2010-2011, which represents an estimated increase of 70 per cent (ibid., para. 134).

39. The Administrator indicates that, in principle, all project activities and their associated costs, as defined in the Country Programme Action Plan, annual project workplans and project documents, are incurred by government counterpart agencies under the national execution/national implementation modality (NEX/NIM), which implies that all related institutional costs are fully recovered by UNDP, as extrabudgetary resources, through the application of the 7 per cent cost-recovery policy with respect to general management services approved by the Executive Board in its decision 2007/18 (ibid., para. 136). Furthermore, in accordance with the NEX/NIM accountability framework, which describes the roles of programme country governments and UNDP, all oversight and related activities of UNDP (i.e., general management services) should be funded from the institutional budget or extrabudgetary account (ibid., para. 137). The Administrator describes a number of challenges facing the Organization in this regard:

(a) the issues highlighted in the change agenda with respect to different country requirements, which preclude one-size-fits-all approaches, service-driven menus and formula-based presences (ibid., para. 138).

(b) arriving at a more transparent and optimal ways of attributing costs, and their sources of funding, to either development or institutional activities (ibid., para. 139).

(c) the improved alignment between the resources that flow into the extrabudgetary account and the funding of the institutional activities that underpin development activities funded from other resources (ibid., para. 140).

40. The Administrator indicates that that the current cost-recovery policy provides for the recovery of a minimum of 7 per cent on all third-party cost sharing and trust fund contributions, and a minimum of 3 per cent on all government cost-sharing contributions, in order to fund related institutional activities (i.e., general management services). Institutional activities funded from regular resources should not unduly support (subsidize) activities attributed to other resources (ibid). In previous budgets, the calculation of the UNDP variable indirect recovery rate for bilateral and multilateral donor resources was based on the concept of the base structure, defined in DP/2010/3 as the minimum capacity that the organization needs in order to carry out its core mandate (ibid., para. 141). The Administrator indicates that this policy may no longer be applicable for the purpose of determining an equitable burden-sharing of institutional costs between regular and other resources. The base structure and related cost-recovery policy will therefore be revisited in an inter-agency context as part of the joint road map to an integrated budget from 2014 onwards (ibid., para. 144). **The Advisory Committee urges UNDP to review the assumptions underlying the cost recovery policy and modalities, within the inter-agency framework, and to present proposals in the context of the next integrated budget.**